

Exam

With reference to present-day examples, evaluate the implications of Climate change for business.

Climate change is nothing new and has always existed for which there is ample evidence as scientists from many different fields have studied it. In the past, the climate was the defining factor for the possibility of people moving and settling, and its transformations forced major changes in the economy. However, the increase in occurrence of meteorological changes in the last few decades has triggered a discussion on the problems caused by global warming, with emphasis on the destructive role that people play in it.

The report of the International Panel on Climate Change (IPCC), published in August 2021, unequivocally confirms that the reduction of CO₂, and subsequent slowing of global warming, absolutely cannot be postponed. In the era of extreme and unpredictable weather and other effects of climate change, which cannot be predicted currently, the business sector should come together to think about how to combat the negative consequences of industrial activity and effectively prevent further degradation of the environment. Human activity, including through the development of industry, has contributed to excessive CO₂ emissions and the erosion of nature. As a result, the effects of excessive environmental strain are already affecting society, and the next few years may bring further negative phenomena. The business industry is already looking for opportunities to reconcile operation and development with minimising environmental and social costs. There are many opportunities for this, but they require knowledge, determination, investment, and often acceptance from consumers. Although the effects of climate change and the threat it poses are widely discussed, not all companies treat it as a starting point in conversations about their strategies or business models. A lot of the work to be done is regarding raising awareness of the negative effects of climate change on the sustainability of enterprises.

Economic transformation also means a change in work and organisational culture. A different perspective from the traditional approach of multiplying profits, and looking at the value of a product for society and the environment, requires the framework for everyday business to be reorganised. Creating an organisational culture in which the environment is a primary value, and a business goal, strengthens the sense of unity in employees and opens up space for improving innovative solutions. However, this requires knowledge and awareness, as well as commitment to the environmental goal, both through strategies and daily operations. This goes beyond the legal regulations, which in the coming years will impose further obligations related to emission targets than those currently in place.

It is already beneficial for businesses to respond to customers who show concern for the climate, but in practice these businesses are not always consistent in their declarations. This is well illustrated by the example of the clothing industry. Consumers know about the negative aspects of fast fashion, and yet the consumption of clothing does not decrease.

Not all customers are knowledgeable about climate challenges. Therefore, industries should invest in consumer education, in addition to investing in technology. Recipients of products should know what is hidden behind a change in pricing policy or a business no longer providing certain products.

The consequences of climate change for trade include broken tractions, damaged roads, delayed planes, i.e. all the ways in which the climate influences transport could seriously hinder the liquidity in the supply chain, exposing companies to very large losses. Large networks have problems with the supply chain, which are becoming more and more unstable. Complicated logistics are not the only problem caused by climate change. It also affects the supply of goods to companies, especially food. This problem is mainly faced by coffee producers. In Latin America, the increase in rainfall, humidity and air temperature led to a coffee rust epidemic that forced farmers to cut hectares of trees.

Agriculture is a sector that is hardly immune to changes in climatic conditions, and these changes can have multiple effects on agricultural production. Droughts, excessive rainfall, floods and too high levels of sunlight - each weather anomaly directly affects the yield, and often also their quality. Such events, in turn, lead to an increase in price and hesitation from locals.

Climate change also poses a major threat to the insurance sector. Losses incurred due to strong winds, floods or long-term heat waves are much greater than a few years ago. Such situations make the insurance market consider possible natural disasters in their calculations. There is also growing awareness of the need to reduce climate risk, and thus not only to repair the effects, but also to prevent and adapt.

According to the latest research, construction and real estate are hardly prepared for climate change. Meanwhile, the impact of weather anomalies on this sector is growing, including rising water levels and increasing insolation which leads to increasing thermal stress. Such phenomena are also an opportunity for development in the area of eco-efficiency of buildings and investment in passive house technologies. Climate change also brings many business benefits. Many weather factors are an opportunity for a significant profit for enterprises, such as tourism, weather forecasting and analysis, and energy.

Climate change can bring a positive change for tourism. Climate warming makes regions that have so far not been perceived as attractive holiday areas become more interesting alternatives to the current holiday destinations.

In times of a changing climate, precise weather forecasts and good warning systems, using modern technical infrastructure, are becoming more and more necessary services. Companies such as Google are already investing in such solutions.

The electricity sector is also affected by climate change. Excessive greenhouse gas emissions contribute to rising temperatures. The growing awareness of society in this regard makes people more and more inclined to use alternative energy sources, for example solar panels on the roofs of houses or wind farms.

With reference to contemporary examples, evaluate the potential implications of Brexit on business.

According to estimates by the Office for Budgetary Responsibility, even before the UK completed its exit from the EU at the end of 2020, Brexit reduced the size of the British economy by about 1.5%. The GDP was mainly due to the reduction of investment and the relocation of some companies to the EU in order to bypass the anticipated trade barriers.

Of all the areas of the United Kingdom, Northern Ireland fared best in 2021, which remained in the EU's single market for goods as part of the post-Brexit settlement. This part of the UK has also made up for the pandemic losses. According to data from the Office for National Statistics, Northern Ireland's results in the third quarter were only 0.3% lower than those of the last quarter of 2019.

At the same time, the United Kingdom as a whole country recorded a decline in GDP of 0.2%. The transport business has suffered the most due to Brexit. The Brexit deal created trade barriers for British exporters who have lost more than £1.1 billion since the beginning of 2021. Exports of goods from the UK to the EU in January 2021 fell by 40.7%. It was the largest monthly decline in British trade in over 20 years.

The meat and dairy sectors were hit hardest by Brexit, with exports of milk and cream from the UK to the EU declining by 96%, according to data from the Food and Beverage Fed. Tesco, in Northern Ireland, had a big problem with the delivery of goods since trade laws were abolished. Brexit impacts every industry due to potential economic effects (investment constraint and recession) and labour problems (labour migration and labour shortages).

The departure of around 200,000 people from the UK is one of the key causes of the labour shortage that the UK is currently facing. Without free access to workers in the EU, the number of drivers in the UK has fallen by more than a third during the pandemic, according to data from the Office for National Statistics. The reduction in the number of workers from the continent also triggered a fuel crisis in Great Britain. The lack of qualified drivers of fuel tankers caused large fuel shortages at gas stations in the summer. The problem with the transportation of goods resulted in more Britons undergoing appropriate training and gaining licenses to drive trucks. In the longer term, New York is a greater threat to London, as it has increased its trade of goods similar to those of London.

British financial firms are still waiting for full access to the single market, which is subject to Brussels granting a so-called equivalence decision. However, progress in this matter has so far been small. The dispute over Northern Ireland, which severely complicated the relationship between the EU and the United Kingdom, stood in the way of the equivalence decision.

Brexit has forced financial firms to relocate parts of their operations, staff, assets and legal entities from London to mainland Europe. This change was smaller than anticipated as the pandemic made it difficult to relocate employees.

According to a poll carried out by the audit firm EY, the City of London lost about 7,400 jobs. This is far less than some estimates expected before the UK's departure from the EU. In 2018, the Bruegel think tank estimated that 10,000 bank jobs and 20,000 financial services jobs could eventually disappear in London.

Supermarkets like Waitrose have raised squares for new carriers and offer bonuses to lure recruits. However, structurally, the changes in the economy are proving to be more painful and permanent than expected.

Norton Hydraulics faces many problems, including rising steel prices, but the shortage of workers is most concerning.

It is estimated that there is a shortage of 400,000 transport workers in Europe, of which a quarter of this number concerns the United Kingdom. This is because, as a result of the tightening of visa regulations, those who left during the pandemic had problems returning after Brexit. Therefore, the British Transport Department has made 5,000 visas available to drivers of heavy goods vehicles from the EU for three months.

The UK's exit from the EU means the end of the preferential conditions in international trade negotiated by Brussels. At the beginning of December, the United Kingdom signed its first completely independent trade agreement with Australia. The initial terms of the next agreement with New Zealand were also agreed. According to experts, however, the economic growth resulting from both settlements will be limited. The trade agreement with the US, pushed as one of the main benefits of Brexit, has a chance to appear only in the near indefinite future. The Americans are not in a hurry to sign further commitments with the British.

Among the sectors that are particularly disadvantaged are the retail trade and the hotel industry, where the number of foreigners among employees was the highest. The clearest example of what Brexit has brought to British business can be shown by the Scottish fishing industry. Brexit has also hit Scottish blueberry growers, who currently do not have access to the EU citizens on whom their business model was built.

Covid masks the effects of Brexit related to food exports, market prices and business travel disruptions. Doing business with the UK has become more difficult for Europeans. Brexit undoubtedly had a negative impact on the UK economy, but in the last year it has been overshadowed by the coronavirus pandemic.

UK transport companies must deal with more bureaucracy if they want to export to the EU. Brexit has made the most changes to the import and export of goods. From July 2021, for each good imported to the UK from the EU, an import duty, VAT and sometimes other fees must be paid which becomes a big obstacle for business in this industry. This also applies to the shipment of goods, for example, from online stores.